

**MINISTRY OF INDUSTRY AND COMMERCE
DEPARTMENT OF SME PROMOTION**

**MSME ACCESS TO FINANCE EMERGENCY SUPPORT AND RECOVERY PROJECT
(MSME A2F-ESR PROJECT) IN LAO PDR**

TERMS OF REFERENCE

**International Consultant to Develop the Legislation, Regulations and Guidelines to Supervise a
Partial Credit Guarantee Facility (PCGF)
(REF: LA-DOSMEP-2.2-CS-INDV)**

1. Background

The Government of Lao PDR received financing from the World Bank Group's International Development Association (IDA) for a proposed project to assist Micro, Small and Medium Enterprises (MSMEs) and the Financial Sector, specifically Participating Financial Institutions (PFIs). The proposed Project's development objective is to provide long-term funding sources for banks to provide long-term credit to Micro, Small and Medium Enterprises (MSMEs) to overcome the impact of the COVID 19 Pandemic. Negative impacts of the global COVID-19 pandemic are expected to exacerbate Lao PDR's the weak fundamentals and lead to a deterioration in the macroeconomic situation, including the SME and Financial sectors. The proposed project's aims are to strengthen the capacity of financial institutions and MSMEs to sustain operations and recover from the COVID-19 emergency. The proposed project is expected to support the recovery and growth of privately-owned MSMEs by increasing the supply of long-term finance provided by commercial banks and by strengthening the capability of Department of SME Promotion to formulate and implement public policies that promote access to finance for MSMEs and strengthen the banking sector to recover from the effects of the COVID 19 Pandemic.

The proposed Project is expected to include three components: (i) Emergency and Recovery Line of Credit to MSMEs; (ii) Strengthening BOL Capacity to Supervise PCG Facility; (iii) Technical Assistance and Project Management. This project is being implemented and managed by the Department of SME Promotion (DOSMEP).

The Objective of a Lao PCGF is to support credit worthy loan-constrained MSMEs, MSMEs, in the targeted sectors, by providing credit guarantees to those that lack sufficient collateral even without a guarantee and supports these MSMEs under the Project to develop their financial skills through the provision of technical assistance. Proposed capital for the Lao PCGF is for US \$10 million, with the capital sought from the Government of Lao PDR. A possible funding source for Government of Lao PDR could be through the World Bank supported current MSME A2F-ESR Project via the Department of MSME Promotion (DOSMEP).

Functions of a LAO PCGF: A Lao PCGF would offer guarantees to banks for long term MSME loans. The PCGF will designed will draw on the World Bank's "Principles for Public Credit Guarantee Schemes for SMEs", tailored to the Lao context. BOL established a Decision on the establishment of Credit Guarantee Companies on December 21st, 2020, which specifies principles, regulations and measures for business establishment application and activities of credit guarantee companies.

2. Objective of the Assignment:

As part of Component 2 under the MSME A2F – ESR Project, technical assistance is to be provided to the Bank of Lao (BOL) to supervise the Partial Credit Guarantee Fund (PCGF). DOSMEP is seeking an experienced International Consultant to assist BOL in developing the Legislation, Regulations,

Guidelines and to train the relevant staff of the BOL to Supervise the PCGF, based upon the Feasibility Study for the Establishment of a PCGF which was completed on December 26, 2020. As part of a preventive, risk-based supervisory strategy BOL’s primary responsibility is fact-finding, reviewing the documentation submitted by PCGF, including the annual accounts and on-site inspection reports, and holding regular and ad hoc discussions with PCGF senior management. **It is expected that the PCGF will be established under a separate TORs, under the MSME A2F – ESR Project.**

3. Scope of Work:

- Develop best practices regulations and procedures for the supervision of the PCGF in accordance with the agreement on Credit Guarantee Company, No 730/BOL, Dated 21 December 2020;
- Develop Financial Statement Forms for the PCGF (Month, Quarter, Year), including guidelines and the Chart of Accounts for the PCGF;
- Develop guideline on the Issuance of Business License for the PCGF;
- Develop forms and guideline on dissemination of information related to PCGF;
- Develop guidelines on prudential regulation that defines minimum capital requirements, including Basel III rules but also solvency and disclosure requirements for the PCGF;
- Develop guidelines for the Monitoring Report of the PCGFs including identifying indicators for scoring, creating Monitoring Forms and a draft of the PCGFs Monitoring Report; and
- Develop guideline for Risk Assessment, identify indicators for scoring, create Risk Assessment Form, develop database for analysis (in Excel or Word or other Electronic File) and draft of PCGF’ Risk Assessment Report; and
- Credit risk is typically the most important risk facing a PCGF. Develop provisioning rules which will be an essential part of the PCGF prudential regulatory framework.
- Develop related training materials and conduct training for the staff

Training Topics include:

- Training on the Issuance of Business License and Business Model for the PCGF;
- Training on Monitoring Procedure for the PCGF; and
- Training on Risk Assessment for the PCGF and Adoption of Financial Statement’ Forms.

4. Deliverables:

No	Description of Deliverables	Deliverables	Date
1	Initial workshop with BOL and relevant stakeholders as required - Task 1	Work Plan and Inception Report on the requirements and priorities of BOL for the supervision of the PCGF	After 1 months of signing of contract.
2	Detailed report including draft structure of final report, action plan and time line for the assignment (developing the legislation, regulations and guidelines	Detailed report	Within 2 months after Initial workshop with BOL and relevant stakeholders - (Task1)

	and tools to supervise the PCGF). Task 2		
3	First drafts of Legislation, Regulations and Guidelines to Supervise the PCGF – Task 3	Draft Legislation, Regulations and Guidelines	Within 5 months after the Detailed Report acceptable to BOL-(Task 2)
4	Workshop to discuss the drafts mentioned in item 3 above with BOL and stakeholders Task 4	Workshop	Within 2 months after the drafts are submitted to the BOL - (Task 3)
5	Final developed Legislation, Regulations and Guidelines to Supervise the PCGF Task 5	Final Legislation, Regulations and Guidelines to Supervise a PCGF	Within 2 months after the Workshop to discuss the drafts. – (Task 4)
6	Training – Task 6	Develop training materials and conduct Training to BOL Staff on Legislation, Regulations and Guidelines to Supervise a PCGF	Within 2 months after Legislation, Regulations and Guidelines to Supervise the PCGF have been approved by the BOL - (Task 5)
7	Final report on the implementation of the training provided and any lessons learned – Task 7	Final report	Within 1 months after training and all activities requested in the assignment accepted by the BOL and DOSMEP. - (Task 6)

5. Institutional Arrangements and Client's inputs

The selected International Consultant will work under the overall supervision of BOL, Director of MSMEA2F ESR and Project Manager. The selected Consultant will also be required to work in close collaboration with another International Consultant and National Consultant (under separate TORs), and other key stakeholders involved in the MOF, PFIs, World Bank Team- Laos, Commercial Banks, and MSMEs, etc. as required. BOL and DOSMEP will provide the selected Consultant with access to documents relevant to the assignment such as the feasibility report etc. and will assist in facilitating meetings with key counterparts and selected PFIs, MSMEs, and other stakeholders and will work cooperatively with the IC and NC to ensure effective delivery of contract deliverables. BOL and DOSMEP will also provide the selected Consultant with office space and furniture, including internet access for work purposes. Contractual arrangement will be managed by DOSMEP, Ministry of Industry and Commerce. DOSMEP will provide necessary facilities including local staff, interpreter, office space

and IT to enable efficient working of the Consultant. The Consultant will be supported by a local consultant team with specialization in the relevant areas to complete this assignment if required. We need to mention about facilities for training also

6. DURATION OF THE ASSIGNMENT.

Duration of assignment is 15 months. Consultant is expected to provide an input 100 working days of international technical assistance according to the attached planned timeline including about 3 trips to Laos (if required). Consultant will work in Laos as well as from home as needed by DOSMEP. The consultants time and duration may be adjusted subject to project requirements with mutual agreement between the Consultant and DOSMEP, subject to approval by the World Bank.

5. CONFIDENTIALITY AND CONFLICT OF INTEREST

The consultant undertakes to comply with the World Bank's policies and rules with regard to corrupt and fraudulent practices, conflict of interest and confidentiality. The Consultant shall maintain confidentiality on all sensitive information obtained during the assignment and shall not publish wholly or in part the findings or such information, without prior written consent by DOSMEP.

6. EXPERIENCE AND QUALIFICATIONS

To be considered for the position, candidates shall meet the following qualification requirements:

- Minimum post-graduate degree qualification in management, economics, finance, banking or a relevant discipline;
- Have at least 10 years' experience in partial credit guarantee facilities and experience in dealing with supervision of such institutions in advanced and also developing countries;
- An assignment on providing technical assistance and training to financial regulatory institutions (Central Banks) of developing countries in the past 3 years will be a strong advantage;
- Working experience in Laos would be useful;
- Experience in designing, managing and implementing evaluations in complex programs; such experience related to the banking sector is an advantage;
- Excellent (English) verbal and written communication skills; and
- Excellent work planning, organization sense, reporting, interpersonal and team working skills in differing cultural context.

7. PAYMENT PROCEDURE:

Details of payments and deliverables will be discussed and stated in the contract to be signed between the Consultant and DOSMEP. DOSMEP will pay the consultant: (i) Fees based on the deliverable which will be define in the payment milestone in the contract and (ii) Reimbursables based on the actual expenditure as agreed in the contract.